



THE GOZO BUSINESS CHAMBER



Date: Saturday, 4 April 2020

The Gozo Business Chamber, and the Gozo Tourism Association's reaction with respect to the measures introduced by the Malta Development Bank related to the COVID-19 Guarantee Scheme

On Friday 3 April 2020, the Malta Development Bank launched the MDB COVID-19 Guarantee scheme (CGS) which is being indicated as one of the key components of a wider package of the Government's COVID-19 Response Support Programme. In this respect, the Gozo Business Chamber and the Gozo Tourism Association would like to express their reaction on the matter:

1. The GBC and GTA positively note the Malta Development Bank's efforts to present a favourable scheme to business operators in Malta. Whilst recognizing the creation of an instrument whereby local banks can work out favourable interest rates to businesses, we feel that the parameters in which MDB had to operate were too stringent and the outcome is a product that is not attractive at all to business operators.
2. The GBC and GTA are not in agreement at all with the statement made by the Executive Vice-President in charge of competition policy in the EU, Margrethe Vestager, who stated that the Maltese scheme "will help businesses cover immediate working capital needs and continue their activities in these difficult times" (PR of the 2 April 2020, Brussels). Ms Vestager should take note that with the relative high interest rates which businesses pay in Malta, the scheme being offered is a non-starter.
3. Government has to ensure that in parallel to the swift action taken to establish fiscal incentives for businesses to retain their employees, it must also create the right economic framework so that local and international funds are made available to local businesses unencumbered by additional interests and charges. GBC and GTA repeat that time is of essence and that the scheme announced will only serve to discourage businesses who were expecting much less costly, and better access to finance.
4. Government must recognize that in this crisis, where the shutdown of the economy continues, we are speaking about the solvency of businesses, fundamentally whether businesses will continue to exist or otherwise. This means that we cannot continue dithering with bureaucratic schemes that merely give one percentage point benefit to businesses. What businesses need at the moment are loans at zero interest and repayments moratoria.
5. This is what Governments throughout Europe are recognizing and which some are already implementing. The UK Government through the UK banks has already schemes in place whereby new loans will have all arrangement fees and the first 12 months interest paid by the UK Government, as a "Business Interruption Payment". This is what the UK Government has called the Coronavirus Business Interruption Loan Scheme.
6. The Gozo Business Chamber and the Gozo Tourism Association are calling upon Government to utilize local available funds which at the moment are available at local Banks. Local Banks are already paying out a 0.5% to deposit funds with the European Central Bank. Instead these funds could be channelled to the local ailing economy in the form of loans to businesses with the Government paying a marginal interest to the banks. If Government pays 1% interest to the local banks, these would already be 1.5% better off.

7. With Government already willing to provide guarantees there should be no difficulty in the banks supporting this win-win scenario. In the end if companies are not encouraged to move forward in this particular situation, the banks and Government will end up as losers. The GBC and the GTA agree with all that we are in this together and that if businesses fail, there will be a tsunami effect on business and the country.
8. The Gozo Business Chamber and the Gozo Tourism Association support the efforts of EECS, Eurochambres, Business Europe and other business bodies throughout Europe for proper support to businesses by Governments without which Europe will not be able to move forward. We appeal to the European Commission to translate words into action. President von der Leyen has stated that “The ECB launched purchasing programmes, and the EIB provided a dedicated corona response to give loans to small and medium enterprises hit by the corona crisis. All of this has been done in record time and it helped keep the European economy on its feet” (2 April 2020). We want that the availability of these funds actually arrive to our small island and in a format that is workable, that truly keeps us up on our feet.

As we enter gradually in the Holy Week and Easter, a time when our island of Gozo usually reveals itself in all its beauty to visitors coming from Malta and abroad, we reflect on the situation we are all living and in the meantime resolve to work hard to keep our businesses afloat, to be ready to the times when we will be able to welcome back all with open hands.
